

# Auditing Procedures Report

Instructions and MuniCodes

\*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* Cleveland Township	County* Leelanau	Type* Township	MuniCode* 451030
Opinion Date-Use Calendar* 9/24/08	Audit Submitted-Use Calendar* 9/30/08	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies?
<input type="checkbox"/> ?	19. If so, was it attached to the audit report?

General Fund Revenue:	? 223667
General Fund Expenditure:	? 139,405
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	? 288,722
Governmental Activities Long-Term Debt (see instructions):	? - 0 -

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* JOHN	Last Name* TOBIN	Ten Digit License Number* 1101005221		
CPA Street Address* 400 E. Eighth St.	City* Traverse City	State* MI	Zip Code* 49686	Telephone* 231 947-0151
CPA Firm Name* Tobin & Co., PC	Unit's Street Address* 6800 S. BERNARD RD	Unit's City* MAPLE CITY	Unit's Zip* 49664-8760	

# **Tobin & Co.**

Cleveland Township

Leelanau County, Michigan

Audit Report

For the Year Ended March 31, 2008

# Tobin & Co.

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INTRODUCTORY SECTION

# **Tobin & Co.**

## Comments and Recommendations

We have audited the basic financial statements and the individual fund financial statements of Cleveland Township, Leelanau County, for the year ended March 31, 2008 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Cleveland Township taken as a whole. As a result of our examination, we respectfully submit the following comments and recommendations.

### General

All recorded revenues were deposited timely and intact. Board minutes were maintained in proper order, and supporting documents and follow-up procedures appeared to be good. The Clerk maintains a general ledger which meets Uniform Accounting Requirements. The records of the Treasurer are maintained in acceptable order. The Clerk converted the accounting system from a manual to a computerized system, effective April 1, 2007. We encountered some recordkeeping problems in the new system. These issues have either been corrected or are in the process of being corrected by the Clerk. These problems were not unusual for such a conversion and were part of the learning process for the Clerk.

### Budgets and Procedures

The Township prepared and adopted the required budget for its general fund. Five cost centers exceeded their budgets. Since GASB #34 requires disclosure of the original and final budget, detailed records of budget changes should continue to be maintained. The Clerk's Quickbooks program has a report available by which budgets and actual expenditures may be compared monthly.

### General Fund

The general fund is presented on Schedule 1. Revenues exceeded expenditures by \$84,272. The fund balance at March 31, 2008 was \$288,722.

### Current Tax Collection Fund

Property taxes collected were distributed to taxing units prior to the end of the fiscal year. We commend the Treasurer for the handling of this function. Receipts were filed in order of payment, bundled by deposit and supported by computer generated documents. Deposits were made approximately weekly and intact. Distributions to taxing units were made on a timely basis during the collection period.

Schedule 3 reflects the amount levied, collected and returned delinquent for the 2007 property tax levy.

### Insurance and Surety Bond Coverage

Records indicate that the Township is insured through Municipal Underwriters of Michigan and has such coverage as fire and extended coverage, general liability, workmen's compensation, and errors and omissions. Coverage was reviewed by the Board in the audit year. The Clerk, Treasurer and their deputies have surety bond coverage.

### Payroll Procedures

Current payroll records and procedures appear to be adequate.

### General Fixed Assets

General fixed assets consist of the cost or acquisition value of the land and the Township Hall. During the year, the Township acquired no new fixed assets. There were no disposals during the year.

# **Tobin & Co.**

## Other Data

After completion of our audit, we will submit the necessary copies of our report to the State Department of Treasury.

We commend the Clerk and Treasurer for the condition of the Township records. We also appreciate the courtesy extended our field examiner in the course of this examination.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

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## FINANCIAL SECTION

# Tobin & Co.

## REPORT OF INDEPENDENT AUDITOR

To the Township Board  
Cleveland Township  
Leelanau County  
Maple City, Michigan 49664

We have audited the basic financial statements of Cleveland Township as of and for the year ended March 31, 2008, as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly in all material respects, the financial position of such funds of Cleveland Township at March 31, 2008, and the results of operations in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis are not a required part of the basic financial statements, but are supplementary information required by the Government Accounting Standards Board Statement 34. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Table of Contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements of Cleveland Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*Tobin & Co., P.C.*

TOBIN & CO., P.C.  
Certified Public Accountants  
September 24, 2008



# Tobin & Co.

## CLEVELAND TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

As the Township officials of the Cleveland Township, Leelanau County, we offer readers of the township's financial statements this narrative overview and analysis of the financial activities of Cleveland Township for the fiscal year ended March 31, 2008.

### Financial Highlights

The assets of Cleveland Township exceeded its liabilities at the close of the most recent fiscal year by \$307,046. Of this amount, \$289,142 may be used to meet the Township's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year, Township's governmental funds reported combined ending fund balances of \$288,722, an increase of \$84,272 in comparison with the prior year. The total amount, \$288,722 is available for spending at the Township's discretion.

At the end of the current fiscal year, unreserved fund balance for the general fund was \$288,722, or 207% of total general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Cleveland Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

#### 1. Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-section business.

The **statement of net assets** presents information on all of the Township's assets and liabilities, with the difference between the two reported as **net assets**. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The **statement of activities** presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused credits, and used but not paid expenses).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (**governmental activities**) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (**business-type activities**). The governmental activities of the Township include: General Government, Public Safety, Road Projects, and Township Improvements. Cleveland Township does not have any business-type activities (examples would include water and sewer, golf courses, etc.).

#### 2. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Cleveland Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Cleveland Township are categorized as governmental funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

# **Tobin & Co.**

Cleveland Township maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. All Township government activities are included in this fund.

The Township adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund and other major funds to demonstrate compliance with this budget.

## **3. Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **General Fund Analysis and Highlights**

The general fund is the principal operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund and the total fund balance was \$288,722. Unreserved fund balance represents 207% of total general fund expenditures.

The fund balance of the Township's general fund increased by \$84,272 during the current fiscal year.

No increase or decrease in appropriations of the total budget was made during the year. The total dollars spent in general fund activities was \$14,715 less than appropriated.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

The Township's investment in capital assets for its governmental activities as of March 31, 2008, amounts to \$4,162. This investment in capital assets includes: several parcels of land and the Township Hall. This is the first year that the total Township's investment in capital assets has been assessed and reported. Our government fund reports capital outlays as expenditures. However, the cost of the assets is allocated over their useful life. During the fiscal year there were no capital outlays, and depreciation amounted to \$360.

#### **Cash Assets**

At the end of the current fiscal year, the Township had \$289,132 in cash and other spendable assets. Of this amount, \$275,977 (95%) was held in interest bearing bank accounts. The Township is limited by State law in how it can invest these funds, and we have made no changes in our investment strategy in several years.

#### **Long-term Debt**

At the end of the current fiscal year, the Township had no bonded or installment debt outstanding.

#### **Pension Plan**

Township employees have the option of having the Township pay Social Security payments or to join our pension plan. The Township makes contributions equal to approximately 7 % of each employee's wage on behalf of each participating employee. This is an expensed item in the budget and totaled \$620 for the fiscal year. The Township provides no other employee benefits.

#### **Requests for Information**

This financial report is designed to provide a general overview of Cleveland Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ms. Jan Nemeskal, Clerk, Cleveland Township, 6800 Bohemian Road, Maple City, MI 49664-8760.

# Tobin & Co.

## Cleveland Township Statement of Net Assets March 31, 2008

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u> <u>And Total</u>
<u>Assets</u>	
Cash	\$ 289,132
Taxes Receivable	14,162
Capital Assets	
Land	202
Other Capital Assets, Net of Depreciation	<u>3,960</u>
Total Assets	<u>307,456</u>
<u>Liabilities</u>	
Accounts Payable and Accrued Expenses	<u>410</u>
Total Liabilities	<u>410</u>
Net Assets	
Invested in Capital Assets	4,162
Unrestricted	<u>302,884</u>
Total Net Assets	<u>\$ 307,046</u>

See Accompanying Notes to Basic Financial Statements

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## Cleveland Township Statement of Activities March 31, 2008

Functions/Programs	Program Revenues			Total
	Expenses	Charges For Services	Operating Grants and Contributions	
Governmental Activities:				
Legislative	\$ 11,610	\$ -	\$ -	\$ (11,610)
General Government	74,035	4,572	-	(69,463)
Public Safety	52,521	2,080	-	(50,441)
Public Works	-	-	-	-
Recreation and Culture	1,599	-	-	(1,599)
Total Governmental Activities	<u>\$ 139,765</u>	<u>\$ 6,652</u>	<u>\$ -</u>	<u>(133,113)</u>
General Revenues:				
Property Taxes				135,177
State Shared Revenues				74,397
Unrestricted Investment Earnings				8,817
Miscellaneous				<u>12,796</u>
Total General Revenues				231,187
Change in Net Assets				98,074
Net Assets – Beginning				<u>208,972</u>
Net Assets – Ending				<u>\$ 307,046</u>

See Accompanying Notes to Basic Financial Statements

# Tobin & Co.

Cleveland Township  
Balance Sheet  
Governmental Funds  
March 31, 2008

## Assets

Cash in Bank	\$ 289,132
Taxes Receivable	<u>14,162</u>
Total Assets	<u>303,294</u>

## Liabilities and Fund Balances

### Liabilities:

Accounts Payable and Accrued Expenses	410
Deferred Revenue	<u>14,162</u>
Total Liabilities	<u>14,572</u>

### Fund Balances:

Unreserved	<u>288,722</u>
Total Fund Balances	288,722

Amounts reported for governmental activities on the statement of net assets are different because:

Property taxes receivable are not deferred on the statement of net assets. 14,162

Capital and intangible assets used in governmental activities are not financial resources and therefore are not reported in the funds. 4,162

Net assets of governmental activities. \$ 307,046

See Accompanying Notes to Basic Financial Statements

# Tobin & Co.

Cleveland Township  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended March 31, 2008

	General Fund
Revenues	
Taxes	\$ 121,015
Licenses and Permits	2,080
State Grants	74,397
Charges for Services	4,572
Interest and Rents	9,267
Other	<u>12,346</u>
Total	<u>223,677</u>
Expenditures	
Legislative	4,957
General Government	73,675
Public Safety	52,521
Public Works	-
Recreation and Culture	1,599
Other	<u>6,653</u>
Total	<u>139,405</u>
Excess Revenues (Expenditures) and net change in fund balances	84,272
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which depreciation and amortization exceeded capital outlay in the current year.	(360)
Governmental funds defer property tax revenues received more than sixty days after the year end as unavailable financial resources for the fund financial statements. In the statement of activities these are not deferred.	<u>14,162</u>
Change in Net Assets of Governmental Activities.	<u>\$ 98,074</u>

See Accompanying Notes to Basic Financial Statements

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# **Tobin & Co.**

## Cleveland Township Statement of Fiduciary Net Assets March 31, 2008

Assets	<u>Agency Funds</u>
Cash	<u>\$ 2,081</u>
Total Assets	<u><u>\$ 2,081</u></u>
Liabilities	
Undistributed Taxes and Interest	<u>\$ 2,081</u>
Total Liabilities	<u><u>\$ 2,081</u></u>
Net Assets	<u><u>\$ -</u></u>

See Accompanying Notes to Basic Financial Statements

# Tobin & Co.

## Cleveland Township Notes to Financial Statements March 31, 2008

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

Cleveland Township is a general law township located in Leelanau County. Population as of the 2000 census was 1,040, and the current state equalized valuation for taxable property is \$182,955,151 and the taxable valuation is \$89,987,701.

The Township's basic financial statements include the accounts of all Township operations. The criteria for including organizations within the Township's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*" includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

#### B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Township. The effect of interfund activity, within the governmental activities column, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

#### Fund Financial Statements:

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

#### Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Township has presented the following governmental funds:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions or grants, and other intergovernmental revenues.

#### Fiduciary Funds

These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.



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Cleveland Township  
Notes to Financial Statements  
March 31, 2008

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund and agency fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred.

The revenue susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

### D. Budgets

The General Fund is under formal budgetary control. The budget shown in the financial statements for this fund was prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Township.

In the body of the financial statements, the Township's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets for these funds were adopted to the activity or cost center level.

For budgetary purposes appropriations lapse at fiscal year end.

### E. Capital Assets

Capital assets, which includes property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$500 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Land Improvements	25 years
Buildings	50 years
Building Improvements	25 years
Furniture and Fixtures	10 years
Office Equipment	5 years

# Tobin & Co.

## Cleveland Township Notes to Financial Statements March 31, 2008

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### F. Property Tax Procedures and Collections

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 1. Real property taxes are collected by the Township Treasurer through February 28 of each year. As of March 1, uncollected real property taxes are returned delinquent to, and collected by, the County Treasurer. Personal property taxes remain the responsibility of the Township Treasurer to collect. It is the policy of the Township to record the real property taxes in the year of levy.

During the collection period prior to March 1, the Township Treasurer makes distribution of the property tax collections to the various taxing units (County, School District, etc.) as required by statute.

For the fiscal year the Township levied property taxes as follows:

	SEV	Taxable Value	Millage Rate
General Operating	\$182,955,151	\$ 89,987,701	.5761
Fire	\$182,955,151	\$ 89,987,701	.4805

#### G. Investments

There were no investments during the audit year.

#### H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. There were no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.
- B. All funds had positive fund balances at March 31, 2008.
- C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the year ended March 31, 2008, five cost centers overexpended their budgets without formal amendment.

Supervisor	\$	144
Elections		1,173
Board of Review		1,000
Town Hall and Grounds		4,084
Parks and Recreation		499

# Tobin & Co.

## Cleveland Township Notes to Financial Statements March 31, 2008

### NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

#### A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- (1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- (2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- (4) Repurchase agreements consisting of instruments defined in (1) above.
- (5) In bankers' acceptances of United States Banks.
- (6) Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

#### B. Types of Deposits and Investments

The Township had \$299,347 deposited with a local bank at March 31, 2008 with a carrying value of \$291,213. Interpreting the FDIC insurance coverage of \$100,000 of demand deposits and \$100,000 of time deposits per depository, the Township had \$199,347 of uninsured deposits at March 31, 2008.

### NOTE 4 - CAPITAL ASSETS

Capital assets of governmental activities consisted of the following at March 31,

	<u>3/31/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>3/31/08</u>
Land	\$ 202	\$ -	\$ -	\$ 202
Buildings and Improvements	9,000	-	-	9,000
	9,202	-	-	9,202
Less Accumulated Depreciation	(4,680)	(360)	-	(5,040)
	<u>\$ 4,522</u>	<u>\$ (360)</u>	<u>\$ -</u>	<u>\$ 4,162</u>

### NOTE 5 - LONG-TERM DEBT

The Township has no long-term debt at March 31, 2008, and no borrowing is anticipated in the near future.

### NOTE 6 - LOANS AND ADVANCES BETWEEN FUNDS

There were no inter-fund loans or appropriations during the audit year.

### NOTE 7 - INVENTORIES

Cleveland Township does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses when purchased.

# **Tobin & Co.**

## **Cleveland Township Notes to Financial Statements March 31, 2008**

### **NOTE 8 - RETIREMENT PLAN**

The Township has a defined contribution pension plan for Michigan Township employees. Listed below is a summary of the significant plan provision of this plan:

#### **A. Eligibility Requirements**

1. Attained age of 18 and not more than 75.
2. No minimum service requirement.
3. All elected officials and full-time and part-time employees.

#### **B. Contributions**

1. 10% of annual compensation if funded annually – 7% by the Township and 3% by the employees.
2. Compensation determined by the basic annual rate of compensation in effect at the beginning of the plan year.
3. Township pays 70% of required annual contributions.

#### **C. Vesting**

1. Contributions are vested to the employee immediately upon early retirement, termination of service, death, disability, or normal retirement at age 65.

#### **D. Plan Administration**

1. The plan is administered by the Township Clerk. During the year ended March 31, 2008, the total Township contribution for the plan year April 1, 2005 to March 31, 2008 was \$620. Covered payroll for the year was \$8,858 with total payroll of \$31,580 for all employees. The plan was funded at the required contribution amount.

### **NOTE 9 - ACCOUNTS/TAXES RECEIVABLE**

The \$14,162 in delinquent taxes receivable in the General Fund represents 2007 property taxes returned delinquent to the County Treasurer for collection.

### **NOTE 10 - CONTINGENT LIABILITIES**

Township officials are aware of no contingent liabilities of the Township.

### **NOTE 11- COMPENSATED ABSENCES**

The Township does not provide for the payment to employees for sick leave, accumulated leave, etc.

### **NOTE 12- RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Township addressed these risks through the purchase of commercial insurance through Municipal Underwriters of Michigan. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

SUPPLEMENTAL DATA SECTION

# Tobin & Co.

Cleveland Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended March 31, 2008

Schedule 1  
Page 1

Revenues	Budgetary Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Taxes:				
Current Taxes	\$ 98,747	\$ 98,747	\$ 90,126	\$ (8,621)
Delinquent Taxes	4,000	4,000	9,646	5,646
Property Tax Administration Fees	18,500	18,500	21,243	2,743
Licenses and Permits	1,500	1,500	2,080	580
State Grants:				
State Shared Revenues	70,560	70,560	71,553	993
Metro Act	-	-	2,844	2,844
Charges for Services	7,500	7,500	1,490	(6,010)
Summer Tax Fees	-	-	3,082	3,082
Sales and Other	2,000	2,000	2,167	167
Interest and Rents:				
Interest	2,000	2,000	8,817	6,817
Rent	500	500	450	(50)
Other:				
Refunds and Reimbursements	2,000	2,000	10,179	8,179
Total Revenues	207,307	207,307	223,677	16,370
Expenditures				
Legislative:				
Township Board:				
Salaries and Wages	-	-	1,520	-
Legal Services	-	-	256	-
Association Dues	-	-	2,546	-
Printing and Publishing	-	-	456	-
Supplies, Mileage and Other	-	-	100	-
Miscellaneous	-	-	79	-
Total	7,850	7,850	4,957	2,893
Total Legislative	7,850	7,850	4,957	2,893
General Government:				
Township Supervisor:				
Salaries and Wages	-	-	8,350	-
Mileage and Travel	-	-	394	-
Total	8,600	8,600	8,744	(144)
Elections:				
Salaries and Wages	-	-	2,588	-
Maintenance, Supplies and Miscellaneous	-	-	335	-
Total	1,750	1,750	2,923	(1,173)

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Cleveland Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended March 31, 2008

Schedule 1  
Page 2

	Budgetary Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
<b>Expenditures (Continued)</b>				
General Government (Continued):				
Assessor:				
Salaries and Wages - Contractual	-	-	10,084	-
Supplies	-	-	849	-
Education and Miscellaneous	-	-	595	-
Total	15,200	15,200	11,528	3,672
Clerk:				
Salaries and Wages	-	-	10,752	-
Supplies	-	-	805	-
Travel	-	-	169	-
Total	12,310	12,310	11,726	584
Board of Review:				
Salaries and Wages	-	-	2,600	-
Printing and Publishing	-	-	165	-
Total	1,765	1,765	2,765	(1,000)
Treasurer:				
Salaries and Wages	-	-	14,620	-
Supplies and Postage	-	-	5,404	-
Maintenance and Repairs	-	-	80	-
Travel	-	-	260	-
Total	20,920	20,920	20,364	556
Township Hall and Grounds:				
Salaries and Wages	-	-	575	-
Supplies	-	-	216	-
Telephone	-	-	1,292	-
Public Utilities	-	-	2,926	-
Maintenance and Repairs	-	-	6,625	-
Total	7,550	7,550	11,634	(4,084)

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Cleveland Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended March 31, 2008

Schedule 1  
Page 3

	Budgetary Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>Expenditures (Continued)</b>				
General Government (Continued):				
Cemetery:				
Salaries and Wages	-	-	1,315	-
Contractual Services	-	-	2,576	-
Public Utilities	-	-	100	-
Total	5,300	5,300	3,991	1,309
Total General Government	73,395	73,395	73,675	(280)
Public Safety:				
Fire and Ambulance:				
Contractual Services	48,000	48,000	43,001	4,999
Total	48,000	48,000	43,001	4,999
Planning and Zoning:				
Salaries and Wages	-	-	8,675	-
Supplies	-	-	88	-
Contracted Services	-	-	395	-
Printing	-	-	193	-
Telephone	-	-	10	-
Travel	-	-	159	-
Total	12,225	12,225	9,520	2,705
Total Public Safety	60,225	60,225	52,521	7,704
Recreation and Culture:				
Parks and Recreation:				
Repairs and Maintenance	1,100	1,100	1,599	(499)
Total Recreation and Culture	1,100	1,100	1,599	(499)
Other:				
Insurance and Bonds	6,450	6,450	5,420	1,030
Social Security and Medicare	600	600	613	(13)
Contingency and Miscellaneous	1,000	1,000	-	1,000
Pension	3,500	3,500	620	2,880
Total Other	11,550	11,550	6,653	4,897

The Notes to the Basic Financial Statements are an integral part of this statement.



# Tobin & Co.

Cleveland Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended March 31, 2008

Schedule 1  
Page 4

	<u>Budgetary Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<u>Expenditures (Continued)</u>				
Total Expenditures	<u>154,120</u>	<u>154,120</u>	<u>139,405</u>	<u>14,715</u>
Excess Revenues (Expenditures)	<u>\$ 53,187</u>	<u>\$ 53,187</u>	84,272	<u>\$ 31,085</u>
Fund Balance – Beginning of Year			<u>204,450</u>	
Fund Balance – End of Year			<u>\$ 288,722</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Cleveland Township  
Statement of Changes in Assets and Liabilities  
Current Tax Collection Fund  
For the Year Ended March 31, 2008

Schedule 2

	<u>Balance</u> <u>3/31/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/08</u>
<u>Assets</u>				
Cash	\$ 3,755	\$ 2,135,977	\$ 2,137,651	\$ 2,081
Total Assets	\$ 3,755	\$ 2,135,977	\$ 2,137,651	\$ 2,081
<u>Liabilities</u>				
Undistributed Taxes and Interest	\$ 3,755	\$ 2,135,977	\$ 2,137,651	\$ 2,081
Total Liabilities	\$ 3,755	\$ 2,135,977	\$ 2,137,651	\$ 2,081

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

## Cleveland Township 2007 Property Tax Levy and Collections For the Year Ended March 31, 2008

Schedule 3

	<u>Millage Rate</u>	<u>Adjusted Levy</u>	<u>Collected</u>	<u>Returned Delinquent</u>
County Tax	4.1958	\$ 406,198	\$ 370,821	\$ 35,377
County Seniors	0.2421	23,439	20,645	2,794
County Road	0.4916	47,596	41,926	5,670
County BATA	0.3283	31,785	27,997	3,788
School District Tax – Glen Lake				
Operating	15.0696	204,479	191,546	12,933
Debt	1.1500	36,918	34,261	2,657
Sinking Fund	0.9852	31,425	29,350	2,075
School District Tax – Leland				
Operating	10.9013	457,885	400,106	57,779
Debt	1.6500	106,792	97,075	9,717
Sinking Fund	0.3000	19,414	17,647	1,767
Intermediate School District – TBA	2.9334	284,043	259,980	24,063
State Education Tax	6.0000	579,746	533,373	46,373
Township Taxes:				
General	0.5761	55,791	49,134	6,657
Fire	0.4805	46,422	40,980	5,442
Property Tax Administration Fee		<u>23,286</u>	<u>21,136</u>	<u>2,150</u>
Total		<u>\$ 2,355,219</u>	<u>\$ 2,135,977</u>	<u>\$ 219,242</u>

State Equalized Value	\$182,955,151
Taxable Value	\$ 89,987,701
Percent of Levy Collected	90.69%

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Cleveland Township  
Statement of Revenues, Expenditures and Balance  
Property Tax Administration Fees  
For the Year Ended March 31, 2008

Schedule 4

Revenues

Property Tax Administration Fees \$ 21,136

Total Revenues 21,136

Expenditures

Supervisor 3,000

Assessor 11,528

Board of Review 2,765

Treasurer – 70% 14,255

Use of Building, Equipment, Etc. 500

Total 32,048

Excess Revenues (Expenditures) (10,912)

Excess Revenues (Expenditures) – Prior Years (155,589)

Excess Revenues (Expenditures) – Accumulated \$ (166,501)

The Notes to the Financial Statements are an integral part of this statement.

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# Tobin & Co.

To the Township Board  
Cleveland Township  
Leelanau County  
Maple City, Michigan 49664

We have audited the financial statements of Cleveland Township for the year ended March 31, 2008 and have issued our report thereon dated September 24, 2008. Professional standards require that we provide you with the following information related to our audit.

## Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 20, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable but not absolute assurance, and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist but not be detected by us.

As part of our audit, we considered the internal control of Cleveland Township. Such consideration was solely for the purpose of determining our audit procedures and to provide any assurance concerning such internal control. However, in addition to our comments and recommendations and notes to the financial statements, certain items regarding the control procedures of the Township came to our attention, and we wish to address these at this time.

## Internal Control

In planning and performing our audit, we considered the internal control over financial reporting of the Township as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

## **Tobin & Co.**

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider each of the following significant deficiencies to be a material weakness.

### Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the Township administrative staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected in the normal course.

### Reporting Financial Data

The above definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles ("GAAP"). As a matter of convenience, the Township has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Township has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Township has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other townships of its size.

### Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Cleveland Township are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2008. We noted no transactions entered into by the Township during the year that were both significant and unusual and of which, under professional standards, we are required to inform you, or transaction for which there is a lack of authoritative guidance or consensus.

# **Tobin & Co.**

## Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. However, none of management's estimates are considered to be particularly sensitive.

## Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicates matters that could have a significant effect on the Township's financial reporting process.

## Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

## Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## **Tobin & Co.**

### Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Township Board and management of Cleveland Township and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Tobin & Co., P.C.".

Tobin & Co., P.C.

September 24, 2008